CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 10, 1998

S. 1905
Cheyenne River Sioux Tribe Equitable Compensation Act

As ordered reported by the Senate Committee on Indian Affairs on July 29, 1998

SUMMARY

The federal government acquired 104,492 acres of land from the Cheyenne River Sioux to construct the Oahe Dam and Reservoir project. The Comptroller General determined that about $291 million would be the appropriate amount of compensation to pay the Cheyenne River Sioux for the taking. To provide compensation for the taking, S. 1905 would establish a tribal recovery fund for the Cheyenne River Sioux. Beginning with the year in which S. 1905 is enacted, the bill would direct the Secretary of the Treasury to deposit specified portions of the previous year's receipts from the Pick-Sloan Missouri River basin program into a separate account in the U.S. Treasury on behalf of the Cheyenne River Sioux. Once a total of $291 million is deposited, no further principal deposits would be made.

The bill would require that principal amounts be invested in interest-bearing Treasury securities and that the fund's interest earnings be made available to the Cheyenne River Sioux without fiscal year limitation or the need for further appropriation. CBO estimates that disbursements of those earnings would increase direct spending by $13 million over the 1999-2003 period. Implementing S. 1905 also would increase the administrative costs of the Departments of the Treasury and the Interior, but CBO estimates that any such costs would not be significant.

Because S. 1905 would affect direct spending, pay-as-you-go procedures would apply. The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1905 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	0	1	2	4	6
Estimated Outlays	0	1	2	4	6

Note: Implementing S. 1905 also would increase discretionary spending, but the amounts involved would be less than $500,000 a year.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that S. 1905 will be enacted near the beginning of fiscal year 1999.

Beginning with the year in which S. 1905 is enacted, the bill would direct the Secretary of the Treasury to deposit 10 percent of the previous year's receipts from the Pick-Sloan Missouri River basin program into a separate account in the U.S. Treasury on behalf of the Cheyenne River Sioux. Beginning in 2004, the bill would direct the Secretary of the Treasury to deposit 25 percent of the previous year's receipts into the account. Once a total of $291 million is deposited, no further principal deposits would be made. The bill would direct that the deposits be invested in interest-bearing Treasury securities and that the fund's interest earnings be made available to the Cheyenne River Sioux without fiscal year limitation or the need for further appropriation.

Based on information from the Western Area Power Administration—which markets electricity produced from the Pick-Sloan Missouri River Basin—CBO estimates that receipts from the Pick-Sloan project will total about $250 million annually over the next several years. On that basis, CBO estimates that, if S. 1905 is enacted in fiscal year 1999, the fund would be fully capitalized in fiscal year 2006. The deposits to the trust fund would be intragovernmental transfers, and thus, no net outlays would be associated with them.

S. 2131 would make the fund's interest earnings available to the tribe and the state. For the purpose of this estimate, CBO assumes that deposits into the fund will be made by December 1 of each year; the initial deposit would be made by December 1, 1998, and earn interest for 10 months of fiscal year 1999. Interest earnings would first become available for spending in fiscal year 2000. We assume that the balance in the fund would earn interest at an annual rate of about 6 percent, which is CBO's baseline projection of the interest rate on 30-year Treasury bonds. Unspent interest in the accounts also would earn interest, but at a lower (short-term) rate of about 5 percent.

As a result, CBO estimates that interest earnings in the following amounts would be made available to the Cheyenne River Sioux: $1 million in 2000, $2 million in 2001, $4 million in 2002, and $6 million in 2003. The interest earnings would increase as the fund is fully capitalized, so that in 2009, and each year thereafter, about $19 million would be made available to the tribe, assuming that the interest earnings are withdrawn each year.

It is possible that enacting S. 2131 would allow the United States to avoid future costs from possible claims by the Cheyenne River Sioux related to the taking of tribal lands. Because the bill would provide for compensating the Cheyenne River Sioux for the complete value of the taking, CBO estimates that enacting the bill would probably be more costly than any potential judgment (which might provide for only partial compensation). However, CBO has no basis for estimating the likelihood, timing, or amount of any judgment.

S. 1905 would increase the administrative costs of the Departments of the Interior and the Treasury. CBO estimates that any such amounts would be less than $500,000 each year and would be subject to appropriation action.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. (The bill would not affect governmental receipts.) For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	1	2	4	6	7	10	14	17	18
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1905 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would, however, impose some conditions on the tribe for receipt of the authorized payments. It would require the tribe to prepare a plan for use of the payments and to obtain an audit of the funded expenditures. Based on information provided by tribal officials, CBO does not expect that these conditions would result in significant additional costs for the tribe.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Mark Hadley
Impact on State, Local, and Tribal Governments: Marjorie Miller

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis